annual report

WESTEEL-ROSCO LIMITED

1968

Central Control Building, Gordon M. Shrum Generating Station. This 100-foot-high steel and concrete structure, resembling a giant transformer, is part of B.C. Hydro's vast W. A. C. Bennett Dam complex on the turbulent Peace River in north-central British Columbia.

The Central Control Building houses administration offices, powerhouse control facilities, maintenance shops and a reception centre for visitors. Two high-speed elevators provide access to one of the world's largest underground powerhouses 500 feet below. This generating station, which is 890 feet long, 67 feet wide and 150 feet high will reach an ultimate generating capacity of 2.3 million kilowatts.

Westeel-Rosco Limited is proud to have participated in this undertaking by supplying and installing the following products: prepainted, insulated, aluminum cladding; gutters; louvres; sunshades; interior panels and induction unit heater covers; roof and floor deck; ventilators; built-up roofing; hollow metal doors and frames; lockers and toilet partitions.

WESTEEL-ROSCO LIMITED

BOARD OF DIRECTORS

P. F. Fowle — Toronto
Chairman of the Board, Westeel-Rosco Limited

N. J. Alexander — Winnipeg
Managing Partner, Richardson Securities of Canada

E. C. Bovey — Toronto
President and Chief Executive Officer,
Northern and Central Gas Corporation Limited;
President and Director, Le Gaz Provincial du
Nord de Quebec Ltee.

M. A. Buell — Toronto
Executive Vice-President, Westeel-Rosco Limited

R. M. Calhoun — Toronto
President, Westeel-Rosco Limited

P. H. Fox — Park Ridges, Ill.
Vice-President and General Manager, Building Products
and Supply Division, Reynolds Metals Company
President, Reynolds Aluminum Supply Company

F. L. Glasgow — Montreal
Executive Vice-President and Director,
Royal Securities Corporation Ltd.

W. S. Martin, Q.C. — Winnipeg
Partner, Aikins, MacAulay & Company

J. L. Reynolds — Richmond, Va.
Chairman and Chief Executive Officer
Reynolds International Inc.

A. Robertson — Winnipeg
President and General Manager,
The Winnipeg Supply & Fuel Co. Ltd.

WESTEEL-ROSCO LIMITED

OFFICERS

Chairman of the Board	P. F. Fowle
President	R. M. Calhoun
Executive Vice-President	M. A. Buell
Vice-President	P. F. Davidson
Vice-President	W. D. Dertell
Vice-President	H. Dutton
Vice-President	A. H. Mack
Vice-President, Manufacturing	W. E. Thompson
Controller	D. J. Cobban
Secretary-Treasurer	L. J. Rentner

SUBSIDIARIES

Canada Culvert Co. Limited
Columbia Metal Rolling Mills Limited
P. Graham Bell Associates Limited
Westeel-Rosco Erectors Limited
Prairie Metal Products Limited
Northland Machinery Supply Co. Limited
National Aluminum Products Co. Limited
Stran-Steel (Canada) Limited

TRANSFER AGENTS AND REGISTRAR

National Trust Company Limited
Montreal, Toronto, Winnipeg, Calgary, Vancouver

BANKERS

The Toronto-Dominion Bank

AUDITORS

Clarkson, Gordon & Co.

COUNSEL

Blake, Cassels & Graydon

FINANCIAL HIGHLIGHTS OF THE YEAR 1968

	1968	1967
SALES	$68,989,000	$60,256,000
EARNINGS	310,000	751,000
per share	.64	1.55
DIVIDENDS paid to shareholders	290,000	290,000
per share	.60	.60
SHAREHOLDERS' INVESTMENT at year end	13,500,000	13,480,000
per share	27.88	27.84
CAPITAL EXPENDITURES	1,954,000	652,000
DEPRECIATION	943,000	789,000
WORKING CAPITAL	10,132,000	11,380,000

DIRECTORS' REPORT TO THE SHAREHOLDERS

The audited consolidated financial statements of your Company and its subsidiaries for the year ended December 31, 1968 are submitted herewith.

Sales for 1968 were $68,989,000 and net profit after allowance for income taxes was $310,000, compared to 1967 results of $60,256,000 and $751,000. Earnings per share are $.64 for 1968 and $1.55 for 1967.

As stated in the June 30, 1968 semi-annual report, the volume decline in the construction industry which extended from late 1966 to mid-1968, plus full absorption of the start-up and relocation costs in a number of areas resulted in a substantial loss for the first six months of the year. Despite the resumption of profitable operations in June, this loss was too large to fully overcome, consequently the full year's results were considerably below 1967.

There was some profit improvement in the third and fourth quarters over the comparable periods of 1967, but below that expected. It had been anticipated that a slightly higher rate of profit on sales, combined with lower costs of production, would be achieved in the final quarter; this was realized in part only. A lengthy strike in Vancouver in 1968 resulted in some unexpected charges against profits in the last months of the year.

Results during the latter part of 1967 and the first few months of 1968 indicated that changes in the Company's method of operation were advisable, and many of these changes have now been instituted. Product lines and plants which were not contributing to profits have either been discontinued, sold, or are in the process of being sold. While the effect of these changes will not all be reflected in operating results until 1970, significant cost reductions should occur in 1969.

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The Company made three acquisitions during the year: Northland Machinery Supply Co. Ltd. at Fort William, Ontario, Stran-Steel (Canada) Limited at Richmond Hill, Ontario, and National Aluminum Products Co. Limited of Toronto, Ontario. Northland participates in the grain handling field on a national basis and the construction industry and mill supply markets in North-western Ontario. Stran-Steel produces and sells, through franchised builder-dealers, a wide range of pre-engineered buildings. National Aluminum Products installs windows and window frames in commercial and institutional buildings, apartment blocks and townhouses. These three acquisitions were profitable in 1968 and are expected to contribute improved earnings in 1969.

SALES

The overall sales of the Company increased by 14% over 1967. The acquisitions made during 1968 accounted for 11% of this increase.

Building Products

Sales mainly to the commercial, industrial, educational and government construction markets were approximately equal to the level attained in 1967. While margins continued to drop during the year, some recovery should be experienced in 1969.

A contract of approximately $1,000,000 was received by the Company in 1968 for the supply and installation of the newly designed Canata office

SEF: 924-4631
Robbie.

partition, delivery to be made during 1969 and 1970. A further development is a versatile partition which utilizes a variety of panel materials. The product is receiving favorable customer response.

For the past two years, the Company has been participating in the Study of Educational Facilities program in Metropolitan Toronto — a systems approach to school construction. The result of this study is a recent decision to have a considerable percentage of new school requirements in the Metropolitan Toronto area for the years 1969 to 1971 constructed by successful tenderers under the S.E.F. program. The Company was one of the successful bidders and has been designated the prime contractor for all interior partitions installed in these schools. Other Company products involved include toilet partitions and floor deck.

Building products have now been organized into a separate marketing division, and improvements in sales and profits are expected.

Farm Products

Sales reached record levels as the Company was able to take advantage of the heavy storage demands and unusual drying requirements experienced in Western Canada in 1968. The Company had a successful year in the export of grain storage products. Additional marketing effort is being devoted to export sales, with encouraging results.

Highway and Drainage Products

Sales increased over 1967, although prices continued to reflect severe competition. The cost efficiencies developed through the use of high-speed automatic equipment for the production of corrugated metal pipe assisted profits.

Warehouse Products

Results for this group of products, which includes steel, aluminum and copper sheets, reflected the increased tempo of construction and showed a sales gain over 1967. Although a modest reduction in total sales in 1969 is expected because of the discontinuance of low-profit-margin items, marketing costs have also been reduced, and improved profits are anticipated.

Residential Products

This category includes such items as eavestrough and downspout. Prepainted steel and aluminum products are assuming a larger share of this market and, to participate fully in this field, the Company has now acquired the necessary forming equipment.

Transportation Products

Truck tanks, semi-trailer tanks and refuellers, have been a minor contributor to Company profits. In view of the importance of providing funds and time for other more profitable products, it was decided late in 1968 to discontinue this line and the plant, equipment and inventory have been sold in early 1969.

Cubic Storage Systems

This Division was formed in late 1967, and the field sales forces organized in the first and second quarters of 1968. Volume of business grew steadily during the year and is now at a satisfactory level. Start-up costs for the Division were fully absorbed in 1968 and a satisfactory performance is anticipated in 1969.

Stran-Steel

$500,000+

The order backlog of Stran-Steel at the time of its acquisition amounted to less than one month's work. Since then, Stran has recorded an increasing level of business and the backlog at year-end was in excess of 1968 sales. An extension to Stran's plant is now being built to take full advantage of the rapidly-growing pre-engineered building market.

Northland Machinery

$212,000

Despite a lengthy strike at the Lakehead during the summer of 1968 involving many of Northland's customers, a record sales level was achieved. The grain drying and dust collection lines had a successful sales year, and the outlook for 1969 is good.

FINANCIAL

As mentioned previously, the Company was unable to fully recover from the loss experienced during the first two quarters of 1968. Operations in the third and fourth quarters reflected some of the cost improvements made earlier in the year as well as the benefits of a higher level of sales. A comparison of quarterly results for 1968 and 1967 shows the improving trend.

Earnings per Share by Quarters	1	2	3	4	Total
1967	($.40)	$1.18	$ .73	$.04	$1.55
1968	($.86)	($ .04)	$1.38	$.16	$ .64

The Company continued to absorb on a current basis all relocation and start-up costs for its facilities improvement and product development projects. The disruption in production and the break-in costs arising from the construction programs in the Toronto and Winnipeg plants are reflected in the operating results. Reconstruction of the Winnipeg manufacturing facilities involved progressive demolition and rebuilding while production continued.

Capital Expenditures

Net capital expenditures during 1968 totalled $1,954,000. This amount includes the fixed assets of Stran-Steel and Northland Machinery. The balance relates to the building consolidation program, modernization of equipment, and capital equipment for new products.

Major building programs commenced in 1967 in Toronto and Winnipeg were completed during the year. Expenditures on these structures amounted to approximately $500,000 in 1968.

The substantial increase in productivity of the Winnipeg plant has enabled it to undertake more of the production requirements for Western Canada and to better utilize its equipment and tooling. The new Toronto plant is now in a favorable position to handle additional volume.

During 1968 the Company installed a modern paint line in Toronto and updated the Montreal paint line to modern standards. An automatic corrugated metal pipe machine was purchased and installed in Edmonton. Other items of expenditure include cranes, fork lift trucks, and automatic welding equipment.

The largest capital expenditure on new products was for the Cubic Storage Systems Division. The equipment used in the production process of this Division has been automated as far as is economically possible.

Another major expenditure was the purchase of equipment for the production of components for a general-purpose building. This building complements the Stran-Steel building, and is particularly directed to the agricultural industry.

Capital expenditures since the beginning of 1965 have amounted to approximately $4,500,000. These projects were undertaken to improve the ability of the Company to produce its products at the lowest possible cost consistent with the quality reputation built up over the years. Although further improvements are required in certain plants, the rate of capital expenditures will decline in 1969 and will approximate the charge for depreciation.

Working Capital

As a result of the acquisition of Stran-Steel and Northland Machinery and the capital expenditures undertaken in 1968, consolidated working capital decreased to $10,132,000 from $11,380,000 in 1967, and the resultant ratio of current assets to current liabilities declined to 1.46 from 1.79.

Dividends

Despite the sharp reduction in earnings during 1968, your directors, in view of the anticipated improvement during 1969, felt justified in continuing the regular quarterly dividend of 15¢ per share.

Depreciation

Capital expenditures in 1968 have increased the depreciation expense. This item was $943,000, an increase of $154,000 from the expense of $789,000 for 1967.

OUTLOOK

The outlook for 1969 is for a continuation of the growth in construction which began in mid-1968. The Company should participate in this expanding market, and improved sales should result. The long-term trend of farm mechanization will continue to offer opportunities for the Company and sales of grain drying and storage facilities in 1969 may well exceed those for 1968.

The greatest uncertainty in 1969 would appear to be labor relations. Many construction industry labor contracts are due to be negotiated in 1969. It remains to be seen what benefits have resulted from the discussions held by management and unions throughout the past months. In addition to the industry negotiations, certain of our plants in Western Canada have contracts to be renewed this year.

The directors wish to record their appreciation for the loyal support and contribution of all employees of the Company and its subsidiaries. The changes in organization, methods of operating, withdrawal from certain lines and development of new products have been carried out in a spirit of co-operation and enthusiasm.

The directors look forward to improved profits in 1969.

Submitted on behalf of the Board.

P. F. FOWLE
Chairman of the Board
R. M. CALHOUN
President

Toronto, March 14, 1969.

WESTEEL-ROSCO LIMITED
(Incorporated under the laws of Canada)

Consolidated Balance Sheet

December 31, 1968
(with comparative figures at December 31, 1967)

ASSETS

	1968	1967
Current:		
Accounts receivable less allowance for doubtful accounts	$17,733,000	$14,928,000
Inventories — valued at the lower of cost or market	14,464,000	10,701,000
Prepaid expenses	137,000	109,000
Total current assets	$32,334,000	$25,738,000
Other:		
Special refundable tax	$ 69,000	$ 66,000
Mortgages receivable	494,000	467,000
Total other assets	$ 563,000	$ 533,000
Fixed — at cost:		
Land	$ 1,126,000	$ 966,000
Buildings	9,394,000	8,132,000
Machinery and equipment	10,429,000	9,132,000
	$20,949,000	$18,230,000
Less accumulated depreciation	12,406,000	10,698,000
Total fixed assets	$ 8,543,000	$ 7,532,000
Total assets	$41,440,000	$33,803,000

LIABILITIES AND SHAREHOLDERS' EQUITY

	1968	1967
Current:		
Bank borrowings (note 1)	$15,289,000	$ 8,136,000
Accounts payable and accrued charges	4,534,000	4,059,000
Income and other taxes payable	647,000	913,000
Deferred income taxes — current portion	1,516,000	1,033,000
Current instalments on long-term debt, and accrued interest	216,000	217,000
Total current liabilities	$22,202,000	$14,358,000
Long-term debt (net of current instalments) (note 2)	$ 5,103,000	$ 5,312,000
Deferred income taxes — non current portion	$ 635,000	$ 653,000
Shareholders' equity:		
Capital (note 3)		
Authorized: 2,000,000 common shares without par value		
Issued: 484,204 common shares	$ 1,569,000	$ 1,569,000
Contributed surplus	500,000	500,000
Retained earnings (note 4)	11,431,000	11,411,000
Total shareholders' equity	$13,500,000	$13,480,000
Total liabilities and shareholders' equity	$41,440,000	$33,803,000

On behalf of the Board: P. F. FOWLE, Director
R. M. CALHOUN, Director

For notes to the Consolidated Statements see page 11

WESTEEL-ROSCO LIMITED

Consolidated Statement of Income

Year ended December 31, 1968
(with comparative figures for the year 1967)

	1968	1967
Sales	$68,989,000	$60,256,000
Cost of sales, selling, administrative and financial expenses before the following —	$67,018,000	$57,622,000
Depreciation	943,000	789,000
Remuneration of directors (including the compensation of those holding executive office)	125,000	141,000
Interest on long-term debt	264,000	255,000
Income taxes	372,000	747,000
	$68,722,000	$59,554,000
Net operating profit	$ 267,000	$ 702,000
Extraordinary items (net of the related income taxes):		
Profit on sale of fixed assets	$ 43,000	$ 144,000
Plant moving and rearrangement expenses		(95,000)
	$ 43,000	$ 49,000
Net income for the year	$ 310,000	$ 751,000

Consolidated Statement of Retained Earnings

Year ended December 31, 1968
(with comparative figures for the year 1967)

	1968	1967
Balance, beginning of year	$11,411,000	$10,950,000
Net income for the year	310,000	751,000
	$11,721,000	$11,701,000
Dividends paid during the year	290,000	290,000
Balance, end of year	$11,431,000	$11,411,000

WESTEEL-ROSCO LIMITED

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1968
(with comparative figures for the year 1967)

	1968	1967
SOURCE OF FUNDS:		
Net profit	$ 310,000	$ 751,000
Add charges which did not reduce working capital —		
Depreciation	943,000	789,000
Deferred taxes	(21,000)	(36,000)
Funds from operations	$ 1,232,000	$ 1,504,000
Increase in long term debt		$ 3,578,000
Sale of common shares from treasury		21,000
Decrease (increase) in mortgages receivable	(27,000)	37,000
	$ 1,205,000	$ 5,140,000
APPLICATION OF FUNDS:		
Acquisition of Northland Machinery fixed assets	$ 212,000	
Purchase of fixed assets — other	1,742,000	
Total fixed assets acquired	$ 1,954,000	$ 652,000
Reduction in long-term debt	209,000	
Dividends paid	290,000	290,000
	$ 2,453,000	$ 942,000
Increase (decrease) in consolidated working capital	($ 1,248,000)	$ 4,198,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Security for bank borrowings

   Accounts receivable and inventories are pledged as security against bank borrowings.

2. Schedule of long-term debt

	1968	1967
Debenture, payable in equal annual instalments of principal to 1975 with interest at 7.25%	$1,000,000	$1,167,000
7.25% bank term loan, payable in 1972	4,000,000	4,000,000
Loan, Industrial Development Bank	103,000	145,000
Total long-term debt (net of current instalments)	$5,103,000	$5,312,000

3. Share options outstanding

   At December 31, 1968, 400 common shares were reserved for issuance under an option granted to an employee in 1962 at a price of $10.25 per share; the option is exercisable on a cumulative basis to 1970 and expires in 1972.

4. Dividend restrictions

   Under an agreement with the holder of the 7.25% debenture, cash dividends are restricted to the sum of (a) 70% of the amount by which consolidated earnings from January 1, 1967 exceed repayments on such debentures plus (b) $1,000,000. At December 31, 1968 $928,000 of earnings retained for use in the business was not so restricted.

Clarkson, Gordon & Co.

Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
Westeel-Rosco Limited:

We have examined the consolidated balance sheet of Westeel-Rosco Limited as at December 31, 1968 and the consolidated statements of income and retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Toronto, Canada,
March 14, 1969.

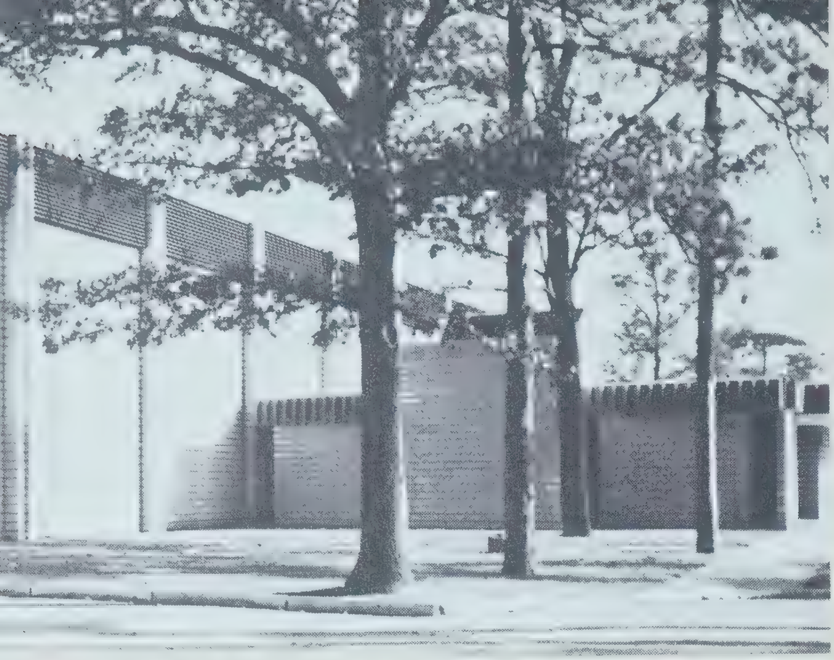
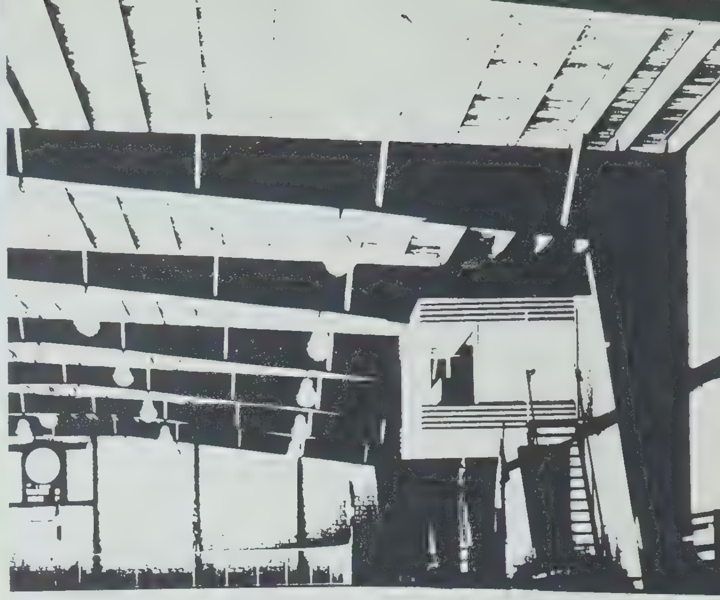
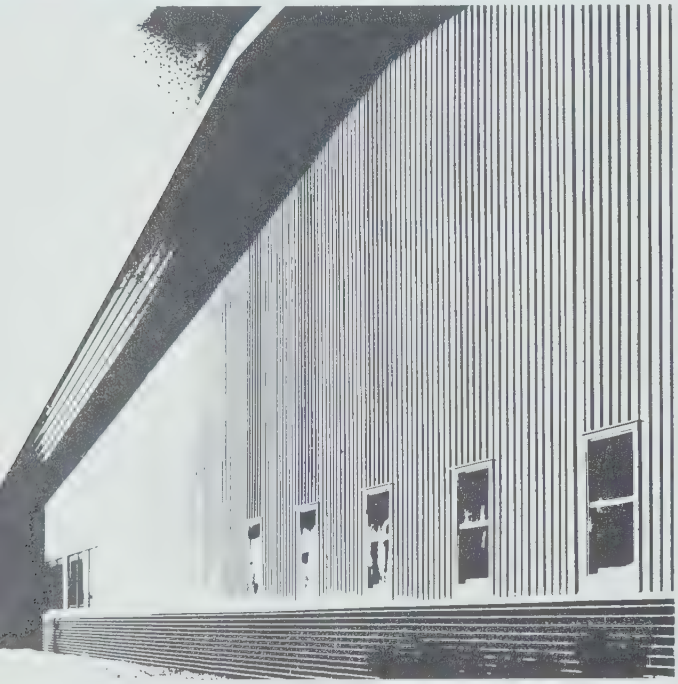
Chartered Accountants

WESTEEL-ROSCO LIMITED

TEN YEAR COMPARISON

(IN THOUSANDS OF DOLLARS)

		1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
Sales	$	68,989	60,256	66,866	59,180	26,473	25,760	26,459	22,768	25,976	24,351
Operating profit	$	639	1,449	3,028	1,957	525	(150)	533	83	810	1,252
% operating profit to sales		.93%	2.40%	4.53%	3.31%	1.98%	(.58%)	2.01%	.36%	3.12%	5.14%
Income taxes	$	372	747	1,529	917	135	—	230	70	390	645
Net profit	$	310	751	1,505	1,202	242	(178)	303	13	420	607
Common shares outstanding		484,204	484,204	482,204	480,404	476,504	472,604	472,604	472,604	472,604	472,604
Earnings per common share	$	.64	1.55	3.12	2.50	.51	(.38)	.64	.03	.89	1.28
Cash flow per common share	$	2.59	3.18	4.76	4.16	1.65	.15	.15	.35	.70	.80
Dividends per common share	$	.60	.60	.60	.15	.15	.84	1.69	1.14	1.91	2.24
Working capital	$	10,132	11,380	7,182	7,103	5,405	6,489	8,168	7,708	7,858	8,544
Working capital ratio		1.46	1.79	1.36	1.39	1.33	2.33	3.50	5.11	4.07	4.10
Capital expenditures	$	1,954	652	1,124	761	333	1,678	510	325	1,232	306
Depreciation	$	943	789	799	796	545	575	498	526	481	452
Gross assets	$	41,440	33,803	35,618	33,206	29,679	17,219	16,046	14,626	15,663	15,719
Book value per common share	$	27.88	27.84	26.96	24.49	22.23	21.97	22.50	22.00	22.33	22.14
Earnings as percentage of capital employed — Jan. 1		2.30%	5.78%	12.79%	11.34%	2.33%	(1.7%)	2.92%	.01%	4.01%	6.03%

Sophistication at a utility price
Architect-designed buildings by Stran-Steel

Companies who shy away from the idea of look-alike buildings owe it to themselves to enquire about the Stran-Steel system. The new building concept by Stran-Steel permits buyers to achieve the distinctive look they want and need for their business.

Stran-Steel buildings allow architects unlimited design opportunities. They can specify masonry, glass, stone, window walls, sandwich panels or any combination of materials. Over 2,500 possible design combinations allow the Stran building to reflect the success of any business.

Stran-Steel buildings cost less than conventional structures because components are computer-designed and precision-built for better control of cost and faster erection at the site.

The strength of Stran-Steel buildings has been proven in blizzard and tornadoes; their insulation in sub-zero cold and blistering tropic heat.

Stran-Steel buildings are merchandized and constructed by carefully selected local Stran-Steel franchized dealers from coast to coast.

THE **Stran-Steel** DIVISION

WESTEEL-ROSCO LIMITED
105 INDUSTRIAL ROAD — RICHMOND HILL, ONTARIO

CUBIC STORAGE SYSTEMS
a division of WESTEEL-ROSCO LIMITED

Properly designed materials handling installations can markedly improve an organization's efficiency. Westeel-Rosco's Cubic Storage Systems division meets the ever growing demand for effective storage with Canada's most comprehensive line-up of vertical storage systems.

Under the slogan "Use your vertical space to cut down waste," this aggressive merchandising division supplies storage systems in a complete range to meet the highly diversified requirements of heavy industry and those of service and retail organizations. The division's systems include: System 10 Steel Shelving; highly versatile System 20 Erecto slotted angle; System 30 Cubic Pallet Racking, a patented boltless racking system; System 40 Drive-In Racking and System 50 Heavy-Duty Cantilever Racking. A complete line of accessories is available for each system plus total service from planning and design right through to erection of installations.

Since its inception in April '68 with limited but intensive selling to the markets in Quebec and Southern Ontario, the division has expanded with distibutors from coast-to-coast. Cubic Pallet Racking is so successful a design that it is now manufactured under licence in the United Kingdom and negotiations are well advanced for similar arrangements elsewhere.

NORTHLAND

MACHINERY SUPPLY CO. LIMITED
A Division of **WESTEEL-ROSCO** Limited

Vancouver **Fort William** **Sault Ste. Marie**

This highly diversified addition to the Westeel-Rosco family enables the Company to increase its penetration of the grain-handling market to almost every stage of grain production.

Constant research and design improvement have gained Northland recognition throughout Western Canada as the manufacturer and distributor of one of the finest indent-cylinder type grain cleaner-separators available — the Northland Superior.

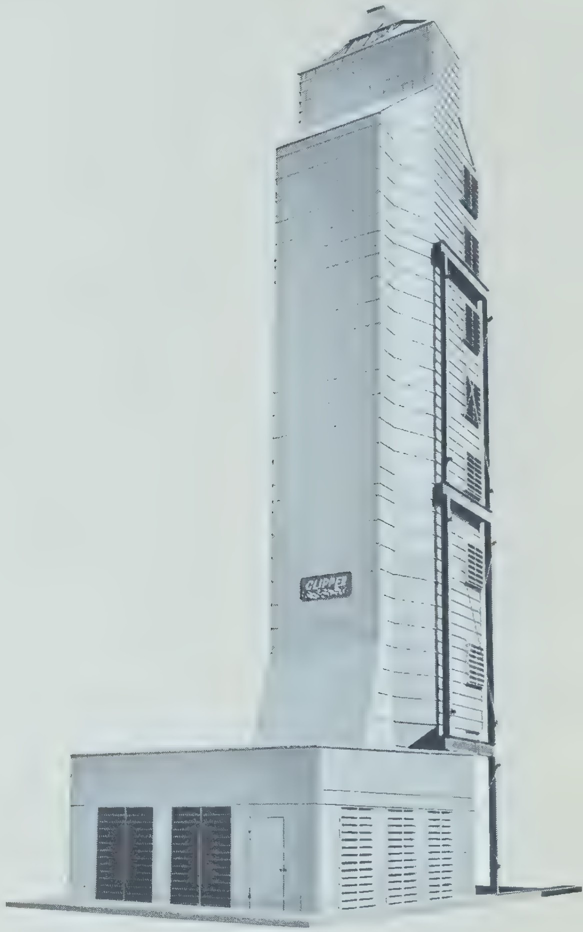
The Northland Clipper grain drying plant is custom-built — from drawing-board to supervised installation — to meet the specific requirements of individual grain elevators. The drawing at right shows a typical Northland Clipper dryer installation with a capacity of 2,000 bushels per hour.

Dust collecting installations are designed and installed by Northland to suit the particular requirements of feed, seed and flour mills or of many other locations where dust creates an industrial or safety hazard.

Northland engineers have developed an air control system which can efficiently and continuously remove and reclaim almost 100% of solid pollutants from the air. Although the system has been confined in its use to the grain-handling industry (see photos below) it can be adapted to serve other industries. The engineering and technical know-how acquired in custom-designing and installing the system gives Northland a commanding position to serve other markets. These markets will open up as the national concern mounts for elimination of air pollution hazards.

Other Northland products for the grain industry include elevator buckets and they distribute an Augermobile which enables one man to empty a boxcar of grain in minutes.

The North-west Ontario market for Westeel-Rosco building and general line products is also served through the Northland sales force.



Northland Clipper Dryer
Made in Canada

BEFORE The camera can barely penetrate the dust laden atmosphere of this roadway at Pacific Elevators Limited, Vancouver, prior to the installation of the Northland air pollution control system.

AFTER With the Northland air pollution control system installed and in operation the clarity of the clean air is quite apparent.

P. GRAHAM BELL ASSOCIATES LIMITED
a division of **WESTEEL-ROSCO LIMITED**

An unusual and highly effective wall panel system enhances the conference room, the visual focal point, of Stelco's new Research and Development Centre, Burlington, Ontario. The curved walls feature 3-dimensional sculptured sheet steel panels each bearing a stylized "S" in a porcelain enamel finish.

P. Graham Bell Associates Limited made the embossed panels from 20 gauge sheet steel. The letter "S" has a platinum metal finish screened and fused, in liquid form, to the embossment during the porcelainizing process.

This application demonstrates the versatility of P. Graham Bell Associates in producing architectural enamel on steel in unique combinations of strength, beauty, form and colour for over forty different products.

PGBA modern chalkboard systems are in great demand for schools and universities.

Photos courtesy of Steel Company of Canada.

Annual report designed and printed by
Westeel-Rosco Limited Advertising Department.

ANNUAL REPORT 1968

WESTEEL-ROSCO LIMITED

July 31, 1968

INTERIM REPORT TO SHAREHOLDERS

As predicted in our 1967 report to the shareholders, the activities of the company during the first half of 1968 have been hampered by the continued low level of activity in most phases of the construction industry. In recent weeks an upturn in this market has been experienced and indications are that this improvement will continue until the year-end. As a result, sales for the second half of 1968 are expected to be significantly higher than during the second half of 1967. This extended decline in the construction industry and the consequent pressure on prices, plus the full absorption of start-up costs of the new Cubic Storage Systems Division, has resulted in an operating loss for the first six months period.

Our new facilities in Edmonton, Winnipeg and Toronto are now coming into full utilization, and, despite lower sales during the month, a profit was recorded in June. With a substantial increase in the backlog of orders, this resumption of profitable operations will reverse the six month loss and a full year net profit which will compare favorably with that earned last year is expected.

Early this year the company made two acquisitions — Northland Machinery Supply Company Limited, of Fort William, and Stran-Steel Canada Limited. Northland participates in the grain handling field, the construction industry, and the mill supply market in northwestern Ontario. Stran-Steel produces and sells a wide range of pre-engineered buildings. These new ventures, together with an indicated improved sales volume and a continuing improvement of the company's production facilities, can be expected to result in a satisfactory level of earnings in 1969. The directors and management believe that this difficult transition period in the development of your company has now been successfully overcome, and they look forward with confidence to a wider acceptance of its products and renewed growth of profits.

R. M. Calhoun,
President.

INTERIM REPORT TO SHAREHOLDERS

COMPARATIVE CONSOLIDATED INCOME STATEMENT*
FOR SIX MONTHS ENDED JUNE 30, 1968 AND 1967

	SIX MONTHS ENDED	
	JUNE 30, 1968	JUNE 30, 1967
Sales	$ 25,949,000	$ 27,836,000
Cost of sales, selling, administrative and financial expenses before the following	26,176,000	26,625,000
Depreciation	445,000	402,000
Interest on long-term debt	200,000	54,000
	$ 26,821,000	$ 27,081,000
Profit (Loss) before taxes on income	$ (872,000)	$ 755,000
Provision for taxes on income	(438,000)	380,000
Net Profit (Loss) for six months	$ (434,000)	$ 375,000
Per Share	($.90)	$.78

COMPARATIVE CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS*
FOR SIX MONTHS ENDED JUNE 30, 1968 AND 1967

	SIX MONTHS ENDED	
Source of funds	JUNE 30, 1968	JUNE 30, 1967
Net Profit (Loss)	$ (434,000)	$ 375,000
Add charges which did not reduce working capital		
Depreciation	445,000	402,000
Funds from operations	$ 11,000	$ 777,000
Decrease in mortgages receivable	10,000	26,000
	$ 21,000	$ 803,000
Application of funds		
Decrease in long-term debt	$ 167,000	$ 180,000
Purchase of fixed assets less proceeds on disposal	1,569,000	43,000
Dividends paid	145,000	145,000
	$ 1,881,000	$ 368,000
Increase (Decrease) in consolidated working capital	($ 1,860,000)	$ 435,000

Toronto, July 31, 1968 **These statements are unaudited.*

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PRESIDENT's REMARKS TO THE SHAREHOLDERS

The Directors' Report to the Shareholders has broadly reviewed our 1967 performance. It was a year that did not come up to expectations—a year in which our national economic boom tapered off and cost increases incurred in 1967 could not be completely passed along in the form of higher selling prices.

The recently-announced D.B.S. figures showed our 1967 gross national product increase as 6.8% compared to an increase of 11.3% in 1966. After allowing for price increases, the gain in real wealth was 2.8% compared with 6.2% in 1966. In general, manufacturing profits were down from 1966, and our industry was among the hardest hit.

We are confident that the moves made during 1967 in consolidating and rebuilding will better equip us to properly compete in a market that, for 1968 at least, will remain extremely competitive. I will not dwell on these changes, since they are described and illustrated in the Directors' Report.

What do 1968 and the future years have in store for us? Since the formation of Westeel-Rosco Limited we have been striving to improve our manufacturing, marketing and administrative operations. Major facility improvement programmes have been and are continuing to be introduced, and considerable cost savings have been made possible. At the same time, we have been carefully considering expansions to our product lines, with emphasis placed on markets growing at a rapid rate.

While certain of these new products and ventures have come about as a result of our own research and development efforts, others have arisen from acquisitions which we have made. In our planning for 1968 we will continue to make substantial capital expenditures to improve and augment plant facilities.

For example, in Edmonton this summer we plan to install our second automatic culvert machine. Our experience with the first installation in Toronto was most satisfactory, bringing even better cost savings than the equipment manufacturer had predicted. The progressive conversion to this type of equipment appears to be imperative.

In Winnipeg we will complete the programme of our construction which was started last fall.

At Toronto we are in the process of installing new equipment for cubic storage systems. This will include an up-to-date cleaning and painting line.

At Montreal our new line to produce lockers is now coming into operation. When finalized, the line will include a new completely conveyorized cleaning line. These are the highlights.

Now may I turn to some of our recently-announced programmes. First of all, <u>CUBIC STORAGE SYSTEMS</u>. Reference has been made to this new Division on Page 7 of the Directors' Report. A decision was made to draw together and expand our participation in what we had previously called our materials-handling line.

The products in which this division will specialize are all concerned with the storage of materials above floor level, to take advantage of the cubic space available. (Hence the name.) These

products are aimed at the post-construction field, an area that is not dependent on primary construction.

While the manufacturing of the products involved in this division was largely complementary to our present plants, the marketing approach had to be entirely different, and it was with this in mind that a completely separate unit has been set up under experienced management.

While this group will add sales volume during 1968, our budget calls for a "break-even" profit result—understandable, we think, in view of heavy initial costs. We are confident that in the future this division will show an above-average return.

SELCO GRAIN BOXES

This is not a new division, but it is a new operation for us. For some years our Winnipeg Branch has made components for a local manufacturer of what are described as grain boxes. In effect, these grain boxes are versatile hydraulic dump truck bodies that, when not in use for their prime purpose, have general utility about the farm.

Earlier this year we arranged to take over this small plant, located in St. James, so that now we have not only an expanded manufacturing operation but will have control of the marketing. Incidentally, this product won a 1967 design award from the Province of Manitoba. We are very satisfied with the initial results. Substantial sales are being made in the U.S. in areas adjacent to the border.

STRAN-STEEL

This new division of Westeel-Rosco Limited was acquired last month. Those of you familiar with the construction trade will realize that the name Stran-Steel is synonymous with pre-engineered buildings, and one of the three major producers. I am sure you will not expect me to mention the names of the other two.

For some time we have been anxious to enter this rapidly-growing field. When we realized that the Canadian licensing agreement would become available, we quickly seized the opportunity and concluded arrangements with Stran-Steel Corporation of Houston, Texas, for W.R.L. to obtain Canadian manufacturing and marketing rights. Stran-Steel Corporation is a unit of National Steel Corporation of Pittsburgh.

With these concluded, we then made advantageous arrangements to acquire the assets (that is the land, buildings, equipment and inventory) of the former Stran-Steel Division of Toronto Iron Works. Fortunately, virtually the complete staff that T.I.W. had employed in their Stran-Steel Division were available to us to ensure continuity.

add

Our Stran-Steel Division will be completely independent and will carry on its highly desirable policy of marketing through franchized dealer contractors. Steps are being taken immediately to expand and strengthen these outlets.

The pre-engineered field offers a tremendous potential because of the ever-increasing cost of conventional construction and the necessity of providing quick occupancy. In the past, this type of construction has been beamed chiefly at commercial, industrial, utility and sports building programmes. Now, many other fields are being opened. Particularly interesting is the field of both portable and fixed school buildings.

NORTHLAND MACHINERY SUPPLY COMPANY LIMITED

Just two weeks ago it was announced that we had acquired this Ontario corporation, which is based at the Lakehead. Northland is engaged in the manufacture and installation of dust-collecting and grain-cleaning equipment, and is currently working on several major grain elevator contracts. They are also in the warehousing and distribution field.

In addition to modern manufacturing facilities at the Lakehead, a warehouse branch is located at Sault Ste. Marie, and they also have a smaller manufacturing operation in Vancouver.

The acquisition of Northland does basically two things for W.R.L. (1) It broadens our increasingly important grain-handling line and (2) in the past, we have been hampered by a lack of a sufficiently broad range of products in the comparatively sparsely populated areas of Northern Ontario. We will now have sufficient product lines to warrant maximum sales effort.

good

With Northland, we have acquired experience and a highly-respected management team, ready to carry on without breaking stride.

add

EXPORT ACTIVITIES

Reference has been made on Page 7 of the Directors' Report to the Company having explored the export of grain storage equipment. Recently our Winnipeg Branch have secured substantial orders for shipment of grain-handling equipment to the Northern United States, and they are confident that their sales efforts in this area will produce a substantial volume. In fact, they already have orders for shipment next month.

But perhaps the areas offering greatest opportunities for the export of this type of equipment lie off-shore. Recently we have had direct representation in Central America, and we are very hopeful that a large volume of business will be obtained from this area. We are planning to actively investigate other areas throughout the world.

It might be of interest to point out that in pursuing this off-shore business we have had very ready and able assistance from our Canadian Department of Trade and Commerce.

* * * * * *

The year before us would appear to be one of uncertainty, and certainly to date has been one in which circumstances seem to change from week to week. Perhaps an example would be a study of last Thursday's Toronto papers.

The business section of one said, and I quote, "Businessmen are planning to stay at lower levels established last year, indicating no rapid expansion in the economy can be expected."

In another Toronto paper on the same day, editorial comment read, and I quote, "The news from the business front has plainly taken a turn for the better. Recent developments could foreshadow a year of economic growth in Canada larger and zippier than has so far been generally expected."

I refer to these divergent opinions not in criticism but, rather, as illustrating the changeable and variable attitudes that many businessmen hold today.

I don't mean to imply that we are uncertain of our Company plans for 1968 but, rather, that we are aware of the necessity of keeping an open mind and being ready to make changes quickly when economic conditions change, as well they may.

With the plans outlined, we are confident that we are well prepared for 1968. Our order book is at a satisfactory level for this time of year, and our goal is for higher sales and for higher profits. We are confident that these goals are obtainable.